

On December 2, Brigham City residents received a postcard from the Utah Taxpayers Association that makes a number of false and misleading claims regarding Brigham City and UTOPIA. The Utah Taxpayers Association, presumably acting on behalf of its corporate clients, has actively opposed UTOPIA since its creation. This is a detailed response to those claims. On December 10, Brigham City and UTOPIA staff will also be available at City Hall to address and answer all questions.

Claim:

- “UTOPIA’s lien on Brigham City homeowners will drive private telecom investment from Brigham City. If the City Council puts a \$3,000 lien on the 1,604 residents’ homes who’ve signed up for UTOPIA, private communications companies would be unlikely to invest in Brigham City. Why would they, when 1/3 of the city is financially committed for 20 years to UTOPIA?”

Facts

- The lien is a commitment to Brigham City, not to UTOPIA. Bonds will be issued by Brigham City, not UTOPIA, and the Brigham City Council and City staff, not the UTOPIA board will administer the bond. Brigham City and its citizens have historically use this type of lien, to do numerous special improvement districts to beautify the City.
- The UTOPIA network is an open access network; this means that the physical network – the infrastructure -- is publicly owned, but services are provided by private communications companies in competition with other private sector companies with no resistance or interference from the network owner/operator.
- UTOPIA doesn’t provide any services, but is simply a means to facilitate private sector competition. It is open to all service providers, including those currently providing services in Brigham City. This will bring an immediate influx of private telecommunication companies and investment into Brigham City. There are currently 5 residential providers and several specialty business providers that will be offering services in Brigham City. Additional service providers will be added regularly.
- UTOPIA provides no services, and has no incentive to interfere with service providers using the network. In contrast, private service providers utilizing the private networks are in direct competition for customers with the network owner. A local, privately owned company at a recent City Council meeting, explained that in order to provide high speed internet to anyone in Brigham City, he had to enter into a lease on a private network. He stated that the company makes it “just about impossible” for him to compete in the market due to the pricing levels for his wholesale access. In contrast, he will be able to use the UTOPIA network under the same terms, conditions, and wholesale pricing as the other private service providers who use the network, thereby providing for fair and open competition based on quality of service and pricing.

Claim:

- “UTOPIA’s lien on your house MUST be paid, even if UTOPIA fails, you move in the future, or you no longer want to obtain services from a UTOPIA provider.”

Facts:

- A Special Assessment Area (SAA) lien is like any other obligation, including a mortgage, a home equity loan, or property taxes. They are obligations of the property owner, and are entered into legally. Once the obligation is paid, the lien is removed and the property has all of the substantial benefits of a fiber optic infrastructure.

Claim:

- “The \$25 per month assessment means you will pay \$6,000 over 20 years at nearly 8% interest.”

Facts:

- Any loan that carries an interest rate increases the total amount of the money paid over time. This is true of mortgages, home equity loans, automobile loans, and any other kind of obligation carrying an interest rate. The Taxpayers Association claims that the interest rate on the Special Assessment Area bonds issued by Brigham City would be near 8%. This is untrue; the interest rate on the bond will be established when it is issued, and is likely to be approximately 5.5%. The monthly assessment will also be determined at that time, and will be no higher than \$25 per month.

Claim:

- “If you do not pay the monthly assessments, your house may be sold at a foreclosure sale.”

Facts:

- Construction of the UTOPIA network in Brigham City is being funded through a voluntary Special Assessment Area, or SAA. SAA is the new name for what was formerly known as a Special Improvement District or SID. In an SAA, the City issues a bond to construct infrastructure. Assessments from property owners are the revenue stream that pays for the bond. A lien, referred to by the Utah Taxpayers Association, is placed on the property to ensure that the payment occurs. This is no different than the numerous SID’s that Brigham City has formed in the past for street infrastructure. Brigham City has *never* exercised its option to foreclose under these liens. Payments are brought current when a property is sold. The tone of the Utah Taxpayers Association’s mailer created a portrait of an uncaring City bureaucracy, which is simply wrong, and unsupported by historic fact.

Claim:

- “If you sell your house, UTOPIA’s lien may be paid BEFORE your mortgage is repaid.”

Facts:

- This is true, but – as stated in a previous fact – this is also true of any other outstanding obligation when property is sold. For example, at closing on a property, outstanding property taxes are paid as is any other obligation using the property as collateral or security, such as a home equity loan. This is a normal part of property transactions. However, unlike some of the other property obligations, the Special Assessment Area obligation can also be transferred to the new property owner, if this is the preference between the buyer and seller.

Claim:

- “The lien on your home is just for a connection fee, and does not include telephone, TV or Internet fees.”

Facts:

- It was clearly explained to residents that, as a Special Assessment Area, the consent was only to build the UTOPIA network infrastructure. All telecommunication infrastructure, public or private, costs money to install and maintain. Most telecommunications networks include network costs in monthly charges and/or other charges, like a connection fee. UTOPIA has disclosed the cost to connect Brigham City and providers on the network have removed that cost from their monthly bills in order to allow for the SAA bond. This connection cost will go away once it is paid, whereas the infrastructure costs of other telecommunication network owners will never go away and is used to fund construction in other locations.

Claim:

- “The City Council continues to increase the cost for taxpayers in Brigham City. UTOPIA initially promised that for the amount of the original bonds guaranteed by the City, every resident in Brigham City would get services. That promise was not kept.”

Facts:

- The Utah Taxpayers Association is very well aware that under legislation it advocated and lobbied for, Brigham City was prohibited from guaranteeing bonds to construct the entire network. While this was the original intent of Brigham City and UTOPIA, the Taxpayers Association was successful in convincing the Utah Legislature to prohibit it. Had this not been the case, it is likely that the network would have been completed and operational in all of the UTOPIA member cities today. It is disingenuous for the Utah Taxpayers Association, a prime mover of this and all other legislation intended to kill UTOPIA, to pretend that it does not understand this.

Claim:

- “UTOPIA wants you to pay for the telephone, TV and Internet wiring for 1,604 homeowners who did sign up for UTOPIA’s 20-year lien.”

Facts:

- This claim is absolutely false. The “telephone, TV and Internet wiring” for the residents who have signed up for UTOPIA will be paid for with the bond that is secured by assessment payments from those same residents who voluntarily signed up to connect to UTOPIA. Those who have not signed up for the assessment will *not* be assessed.

Claim:

- “Brigham City taxpayers are already on the hook to UTOPIA for \$16.7 million over the next 30+ years. That’s \$2,982 per household!”

Facts:

- The Taxpayers Association’s numbers are incorrect, but it is true that there is an existing commitment from Brigham City to support UTOPIA’s debt payments if the system’s revenues are not sufficient to cover these costs. To date, that has not happened. Brigham City’s existing sales tax pledge commitment to UTOPIA debt totals \$17,960,284. This commitment commenced with the debt refinance in 2008 and terminates in 2040. Since nearly two years of this commitment have passed, and the pledge was not called upon, the remaining commitment is \$17,173,494. If called upon, the pledges from Brigham City and the other 10 pledging cities become a loan that will be repaid with interest.

Claim:

- “The City Council agreed to pay another \$665,000 to subsidize the 1,604 homeowners who did sign up for UTOPIA’s 20-year lien.”

Fact:

- The Taxpayers Association is lumping together the cost of connecting City facilities and gap financing approved by the City Council. They are not the same thing. Approximately \$294,000 of the \$665,000 referred to by the Taxpayers Association is for connection of Brigham City facilities. These facilities currently utilize telecommunication infrastructure for telephone, Internet access, and remote monitoring, and the City pays monthly fees for this service. Depending on the suite of services the City chooses to utilize, connecting these facilities to the UTOPIA network will save the City between \$1,000 and \$3,000 each month compared to what it is currently paying, and will also result in significant savings from operational efficiencies enabled by the network. This investment will more than pay for itself. The City Council is funding an approximate gap of \$371,000 in order to ensure that all residents who want to be part of the network may do so, now and in the future. Subscribers who are added to the network after the bonds are issued will be able to pay a similar amount to connect, and payments from

only 207 additional residential and/or business subscribers will completely pay the City back for this investment.

Claim:

- “The additional cost to taxpayers in Brigham City totals at least \$5.5 million, just to get connected to the UTOPIA network...while UTOPIA is losing millions of dollars.”

Facts:

- The \$5.5 million referred to by the Utah Taxpayers association is the amount of the bond that will be paid by those who have signed up for UTOPIA, not by the general fund of Brigham City, which is funded by taxes. Although everyone in Brigham City obviously pays taxes, this is at best a misleading statement.